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Message Text

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73
ACTION EA-14

INFO OCT-01 ADP-00 EB-11 COME-00 INT-08 SCEM-02 GSA-02

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10

PA-03 RSC-01 PRS-01 SS-15 USIA-15 XMB-07 TRSE-00

RSR-01 /114 W
---------- 085305
R 141045Z AUG 73
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 8330
INFO AMEMBASSY TOKYO

C O N F I D E N T I A L JAKARTA 9747

E.O. 11652: GDS
TAGS: ENRG, EXP, ETRN, JA, ID
SUBJECT: PETROLEUM: INDONESIAN LNG PROJECTS

REFS: A. STATE 160373; B. STATE 15067; C. JAKARTA 9302
D. STATE 154220

1. DURING AUGUST 13 CONVERSATION ON VARIOUS SUBJECTS WITH MINISTER OF MINING SADLI, I ASKED HIM TO COMMENT ON THE GOVERNMENT'S POLICY WITH RESPECT TO MARKETING LNG, I.E., HOW MUCH WOULD FINANCIAL INDUCEMENT WHICH MIGHT BE OFFERED BY THE JAPANESE INFLUENCE THE GOI TO DEPART FROM WHAT I UNDERSTOOD WAS ITS POLICY TO DIVIDE THE MARKET BETWEEN THE U.S. AND JAPAN.

2. SADLI SAID THAT IT REMAINS THE POLICY OF THE PRESIDENT, GENERAL IBNU AND HIMSELF, AMONG OTHERS IN THE GOVERNMENT, TO HAVE THE GREATER FLEXIBILITY AND BALANCE OF A DUAL MARKET FOR LNG. HE SAID IT WAS TRUE THAT AN UNDER-STANDING HAD BEEN REACHED AND SOME KIND OF ORAL COMMIT-MENT HAD BEEN MADE BETWEEN RADIUS PRAWIRO AND MITI FOR A SOFT LOAN OF $200 MILLION AND COMMERCIAL FINANCING OF $500 MILLION FOR THE DEVELOPMENT OF ONE OF THE TWO
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PROJECTED LNG PROJECTS, THE PRODUCTION OF WHICH WOULD

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GO ONLY TO JAPAN. HE NOTED, HOWEVER, THAT GENERAL IBNU DOESN'T PARTICULARLY LIKE THIS ARRANGEMENT BECAUSE HE FEELS IT TIES HIM DOWN TOO MUCH. SADLI SAID NEGOTIATIONS ON LNG WITH THE JAPANESE ARE STALLED AT THE MOMENT AND THAT GENERAL IBNU IS PURSUING NEGOTIATIONS WITH INTERESTS FROM THE WEST COAST OF THE U.S. WITH THE HOPE THAT IF HE CAN CONCLUDE AN AGREEMENT WITH THEM IT WILL STRENGTHEN HIS HAND WITH THE JAPANESE.

3. SADLI WONDERED WHAT SPECIFICALLY HAD MADE ME ASK ABOUT THIS MATTER. I TOLD HIM THAT ONE OF MY OFFICERS HAD BEEN TOLD BY SOMEONE IN JAPAN, NOT FROM A COMPANY INVOLVED IN THE LNG, THAT JAPANESE INTERESTS WOULD TRY TO MAKE A PRECLUSIVE ARRANGEMENT FOR THE LNG. I HAD SIMPLY WANTED TO ASSURE MYSELF THAT IT WAS STILL GOI POLICY TO DIVIDE THE MARKET. I SAID THIS MADE SENSE TO ME IN THAT NOT ONLY WOULD IT LOOK BETTER BUT WOULD PROVIDE SOME ASSURANCE AGAINST A BREAKDOWN OF THE DEMAND DUE TO ECONOMIC REVERSALS OR THE LIKE. I SAID I THOUGHT IT WOULD BE BEST FOR EVERYONE CONCERNED INCLUDING THE JAPANESE IF INDONESIAN LNG WERE TO BE SOLD TO BOTH THE U.S. AND JAPAN AND NOT JUST TO ONE COUNTRY. SADLI INDICATED HIS AGREEMENT.
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